

# 10 Common Questions About Social Security

The Social Security program was established in 1935 to provide retirement income to certain workers. The program was later expanded to cover most of the workforce. Prior to the program's development, individuals were completely responsible for funding their personal needs both during their working years and during retirement. If an individual failed to save and invest, that individual could not retire from the workforce. Like any large, complex government program, there are many components to Social Security. Ten common questions about the program are addressed below.

## 1. When Am I Eligible to Receive Benefits?

Based on when you were born, retirement benefits may begin as early as age 62 (partial benefits) and as late as age 67.

- If you were born prior to 1938, your full eligibility date is age 65.
- If you were born after 1960, your full eligibility date is age 67.
- People born in between 1938 and 1942 are eligible on a graduating scale that increases by two months per year.
- Persons born between 1943 and 1954 are eligible for full benefits at age 66.
- Those born between 1955 and 1960 are eligible based on a graduating scale that increases by two months per year, culminating in an eligible age of 67 for those born in 1960 or later.

## 2. How Is Eligibility Determined?

Eligibility for Social Security is based on credits earned during your working years. Most people need to earn 40 credits in order to qualify. Currently, one credit is given for every \$1,050 in earned income up to a maximum of four credits per year.

## 3. How Much Money Will I Receive?

The amount of your Social Security benefit is calculated by averaging the earnings from your 35 highest income-generating years. The maximum monthly Social Security check that you can earn is \$2,185 per month.

## 4. Can I Receive Social Security if I Am Still Employed?

If you reach full retirement age, you can continue to work without negatively impacting your Social Security benefits payments. If you opt to receive Social Security prior to your full retirement age, you are permitted to earn up to \$13,560. For every \$2 in earnings over the limit, \$1 is withheld from benefits. In the year you reach retirement age, you may earn up to \$36,120. For every \$3 in earnings over the limit, \$1 is withheld from benefits until the month you reach full retirement age.

## 5. How Does Social Security Work for My Spouse?

If your spouse worked long enough to qualify for Social Security, you both qualify for full benefits. If your spouse did not work or earned only a small amount and therefore qualifies for a benefit from Social Security that is less than half of your benefit, your spouse's benefit will be increased to a rate equal to half of your benefit amount.

## 6. What Happens If My Spouse Dies?

If the surviving spouse has reached full retirement age, the spouse is entitled to 100% of the deceased worker's basic benefit amount. Prorated amounts are paid to surviving spouses that have not yet reached retirement age. If the surviving spouse was receiving Social Security benefits and the deceased's benefits were greater, the survivor will receive the higher benefit amount.

## **7. Why Is the System in Trouble?**

The Social Security program is a "pay-as-you-go" system. Money paid in by current taxpayers is spent to pay benefits to current retirees. As the ratio of current workers to current retirees drops, fewer people will be paying into the system as a larger number makes withdrawals. In addition, people are living much longer than when the program first began in the 1930s, and this stretches out the payments that millions of Americans will be receiving.

## **8. What About the Social Security Trust Fund?**

Many people believe that the money taken from their paychecks goes into a "trust fund" and remains there earning interest until the person that paid the money into the system retires and begins to take it back. This vision of a trust fund is a myth.

Tax income is deposited on a daily basis and is either exchanged for a government IOU or invested in government-issued Treasury bonds. In both cases, the cash goes into the general fund of the Treasury and is indistinguishable from other cash in the general fund. Politicians spend the cash, relying on future generations of taxpayers to make good on the IOUs and to repay the principal underlying the Treasury bonds. As the number of retirees increases and the number of workers declines, repayment of the IOUs and bond principal will be necessary in order to meet the payments owed to retirees. That development is expected to occur in 2017, and the system is projected to become unable to meet its obligations around 2042, despite the repayments. The "trust fund" exists only as an accounting model, not as an actual funded account.

## **9. What Is Being Done to Fix the System?**

Despite much political posturing, little is being done to address the problems with the Social Security system. Social Security was designed as an income supplement; it was not designed to replace 100% of a worker's salary. Unfortunately, a large percentage of senior citizens rely on Social Security for all or a majority of their retirement income.

Because current retirees make up such an enormously active voting block, and current workers hope to retire someday, politicians feel that changing the system will hurt their chances for re-election or otherwise stunt their careers. Former Speaker of the House Tip O'Neill referred to Social Security as the "third rail of politics. Touch it and you die!"

## **10. Will There Be Any Money Left When I Retire?**

The general consensus is that the U.S. government will not let the Social Security program fail. However, that does not mean that the program will be maintained in its existing state. Legislators have already increased the eligibility date for receipt of full benefits from age 65 to age 67 for citizens born in 1960 or later. Additional increases in the age of eligibility, reductions in benefits, or both, are likely to be necessary in order to get the program back on solid footing. Raising taxes to fund the system is another likely course of action.